



*Andrew Junkin
CFA, CIMA, CAIA
Managing Director*

March 26, 2008

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of Global Fixed Income Policies

Dear Russell,

You requested Wilshire's opinion with respect to Staff's proposed changes to the Global Fixed Income Policies as a part of the ongoing Policy Review project. Wilshire worked with Staff to develop and revise these policies and had significant input into the content and structure of the revisions over the past several months.

Recommendation

Wilshire feels that all of our discussions and any issues we raised with Staff have been addressed in these revised policies and recommends that the Policy Subcommittee approve the revised policies.

Background and Supporting Information

There has been significant consolidation and streamlining of the policies, including the use of attachments for specific programs (as has been the case with other asset classes). As we have previously opined, Wilshire feels that the use of a master policy with attachments for strategies will serve CalPERS well in the future as the master policy can be amended as new strategies are considered, rather than having such new strategies require the crafting of an entirely new policy.

In addition, all of the proposed policies have been reformatted to comply with the current template in use in the Policy Review project. The new formatting template is designed to be flexible and, as mentioned above, we are in favor of the master/attachment format being used in order to consolidate and simplify many of these policies. There have also been minor edits made to add clarity to the policies where appropriate.

Conclusion

Wilshire has reviewed all of the changes (regardless of the magnitude) in all of the Policies and had significant input on various changes. We believe that these revised Policies are appropriate and reflect the necessary flexibility and Investment Committee

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controls to allow Staff to run the Global Fixed Income portfolio effectively. As a result, Wilshire recommends that the Policy Subcommittee adopt these revised policies.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Ann Jinn". The signature is fluid and cursive, with the first name "Ann" and last name "Jinn" clearly distinguishable.